

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
Southern Division

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U.S. BANKRUPTCY COURT
N.D. OF ALABAMA

In re:

SHOOK & FLETCHER INSULATION CO.

Debtor-in-Possession.

Case No. **02 02771**
Chapter 11

**MOTION FOR AUTHORITY TO USE CASH COLLATERAL
AND TO OBTAIN SECURED CREDIT FROM SOUTHTRUST BANK**

Shook & Fletcher Insulation Co., debtor and debtor-in-possession ("Shook" or the "Debtor"), by counsel, hereby moves this Court for authority to use cash collateral and to obtain secured credit from SouthTrust Bank ("SouthTrust") in accordance with the terms of the Agreement Regarding Use of Cash Collateral and DIP Financing described below (the "Motion"). Shook seeks entry of (i) an interim order authorizing the use of cash collateral and permitting the Debtor to obtain secured credit on an emergency basis, and (ii) a final order following at least fifteen days thereafter. In support of this Motion, the Debtor represents:

JURISDICTION, VENUE AND STATUTORY BASIS FOR RELIEF

1. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334(b). The Motion is a core proceeding under 28 U.S.C. § 157(b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The Debtor brings this Motion pursuant to 11 U.S.C. §§ 363 and 364 and Rules 4001(b), (c) and (d) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

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BACKGROUND

3. On April 8, 2002 (the "Petition Date"), Shook filed its voluntary petition under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). Shook is authorized to operate its business and manage its property as a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

4. The Debtor incorporates by reference as if fully set forth herein the Declaration of Wayne W. Killion, Jr. In Support of Voluntary Petition and First Day Motions filed with this Court on the Petition Date.

RELIEF REQUESTED

5. By this Motion, the Debtor seeks authority, on an interim and final basis, to use cash collateral and obtain secured credit from SouthTrust. The Debtor has two other secured lenders: Shook & Fletcher Supply Co. ("Supply"), which since December 2001 has provided subordinated secured working capital financing, and AmSouth Bank of Alabama ("AmSouth"), which in July 1998 made a mortgage loan for \$1,050,000 secured by the Debtor's headquarters building on Valleydale Road. By separate motion, the Debtor is seeking authority to use cash collateral and to continue to obtain subordinated secured credit from Supply. AmSouth and its mortgage loan are unaffected by the SouthTrust and Supply post-petition financing facilities.

REQUEST FOR AUTHORITY TO OBTAIN SECURED CREDIT

6. Pursuant to the terms of that certain Revolving Note dated March 22, 2001, as amended (the "Pre-petition Note"), and that certain Loan and Security Agreement in favor of SouthTrust, also dated March 22, 2001, as amended ("the Pre-petition Loan Agreement"),¹

¹ The Pre-petition Note and the Pre-petition Loan Agreement were amended once, as of February 7, 2002, to extend the maturity of the Pre-petition Financing from April 1, 2002 to April 1, 2003.

SouthTrust has provided the Debtor with revolving credit advances of up to \$3 million (the “Pre-petition Financing”) for use as working capital. Copies of the Pre-petition Note and the Pre-petition Loan Agreement (collectively, the “Pre-petition Loan Documents”) are attached hereto collectively as Exhibit A.

7. As of the Petition Date, the amount outstanding under the Pre-petition Note was approximately \$2.6 million. Advances under the Pre-petition Note accrue interest at 25 basis points less than SouthTrust’s base rate. The Debtor may draw advances up to 75% of eligible receivables (generally those outstanding 90 days or less) and 50% of the cost of inventory, up to the aggregate loan amount of \$3 million. The Pre-petition Note is payable in full on April 1, 2003.

8. The Pre-petition Financing is secured by a first priority lien (the “Lien”) upon, among other assets, the Debtor’s contract rights (including accounts receivable), inventory, goods, wares, equipment and parts, and the proceeds thereof (collectively, the “Pre-petition Collateral”).² The Debtor believes that the Lien has been duly perfected and constitutes a non-voidable first priority lien against and security interest in the Pre-petition Collateral.

9. Unless the Debtor can continue to obtain advances under the Pre-Petition Financing (and the Supply financing), or obtain replacing financing, it will not have available sufficient working capital with which to operate its business and fund this Chapter 11 case. SouthTrust, at the Debtor’s request, has agreed to provide the Debtor with post-petition financing by continuing in place on a post-petition basis the same financing arrangement as existed pre-petition under the Pre-Petition Loan Documents (the “DIP Financing”). The terms of the DIP

² The Pre-petition Financing is also secured by a \$1 million limited guaranty, made by Wayne W. Killion, Sr. in favor of SouthTrust.

Financing are embodied in the Agreement Regarding Use of Cash Collateral and DIP Financing (the "DIP Loan Agreement"), a copy of which is attached hereto as Exhibit B.

10. SouthTrust has agreed to provide the Debtor with revolving credit advances of up to \$3 million under the DIP Loan Agreement. All amounts advanced in respect of the DIP Financing will be governed by and payable by the Debtor in accordance with the Pre-petition Loan Documents and the DIP Loan Agreement. Interest thereon shall accrue at 25 basis points less than SouthTrust's base rate. Moreover, SouthTrust has agreed to waive any default under the Pre-petition Loan Documents caused solely by the Debtor's filing of its voluntary petition under Chapter 11 of the Bankruptcy Code on the Petition Date. All credit incurred will be used to fund continued operations and other administrative expenses in this case. The DIP Financing will terminate approximately one year after the Petition Date, on April 1, 2003. The claims of SouthTrust under the DIP Financing will have priority over any and all administrative expense claims pursuant to Section 364(c)(1) and will be secured by the Lien on the Pre-petition Collateral, as well as by a replacement lien on and security interest in any newly acquired property of the same type, as set out below.

11. The Debtor is unable to obtain the credit it requires on an unsecured basis, allowable under § 503(b)(1) of the Bankruptcy Code as an administrative expense. In light of SouthTrust's willingness to provide secured financing with a minimum of cost and expense and with no disruption to the Debtor's existing financing arrangements, the Debtor believes that the DIP Financing provided by SouthTrust is more advantageous than any replacement financing would be. Accordingly, the Debtor believes that the proposed DIP Financing is in the best interests of its estate, its creditors and other parties in interest.

REQUEST FOR AUTHORITY TO USE CASH COLLATERAL

12. To the extent SouthTrust has an interest in the Pre-petition Collateral and the proceeds thereof, including cash or cash equivalents, the Pre-petition Collateral constitutes cash collateral within the meaning of Section 363(a) of the Bankruptcy Code.³

13. Under § 363(c)(2) of the Bankruptcy Code, the Debtor may not use cash collateral unless each entity that has an interest in the cash collateral consents or the Court enters its order authorizing such use. SouthTrust has consented to the use of the cash collateral upon the terms set forth in the DIP Loan Agreement and the proposed interim order submitted with this Motion.

14. To preserve the value of the Debtor's assets and the Debtor's ability to manage its estate for the benefit of creditors and other parties in interest, the Debtor must use cash collateral in the ordinary course of business to pay operating expenses and other costs. Without authority to use cash collateral, the Debtor will not be able to function as a going concern, and will not be able to proceed to consideration of its Plan or to reorganize. Accordingly, authority to use cash collateral is necessary to avoid the shutdown of the Debtor's businesses, and will be in the best interests of the Debtor, its estate and its creditors.

ADDITIONAL COLLATERAL FOR THE DIP FINANCING AND ADEQUATE PROTECTION FOR THE USE OF CASH COLLATERAL

15. As adequate protection for the use of cash collateral, and as additional security for new funds advanced under the DIP Loan Agreement, SouthTrust will be granted a continuing security interest and replacement lien in and to all property arising or acquired on and after the Petition Date which would have constituted Pre-petition Collateral but for the commencement of this case and all proceeds thereof, pursuant to the DIP Loan Agreement. Such liens and security

³ As a result of Supply's pre-petition subordinate secured loan to Shook, the Pre-petition Collateral also constitutes cash collateral of Supply.

interests shall be first priority liens, and shall be deemed perfected without the need for further action by SouthTrust. Furthermore, SouthTrust's claims under the DIP Loan Agreement shall be granted superpriority administrative expense status, in accordance with Section 364(c)(1), over all other administrative expenses of the Debtor.

REQUEST FOR MODIFICATION OF AUTOMATIC STAY

16. The DIP Loan Agreement provides that, subject to this Court's approval, the automatic stay provided under Section 362(d) of the Bankruptcy Code will be modified to the extent necessary to effectuate the provisions of the DIP Loan Agreement, including, but not limited to, permitting SouthTrust to receive and apply the payments made by the Debtor in accordance with the terms and provisions of the DIP Loan Agreement. The DIP Loan Agreement further provides that the automatic stay will be modified to allow SouthTrust to exercise all of its contractual, legal and equitable rights in and to the Pre-petition Collateral, without further order or notice in the event that (a) SouthTrust files a duly executed affidavit with the Bankruptcy Court attesting to the occurrence of an Event of Default under (and as defined in) the DIP Loan Agreement and serves a copy of such filing and affidavit on the Debtor, its counsel, and such others as are entitled to notice under existing orders of the Bankruptcy Court, by hand delivery or facsimile and (b) the Debtor fails to file, within five (5) business days of SouthTrust's filing of its affidavit, an affidavit of the Debtor with the Bankruptcy Court refuting that an Event of Default has occurred under the DIP Loan Agreement. If the Debtor does file an affidavit refuting that an Event of Default has occurred under the DIP Loan Agreement, the Debtor shall serve a copy of such filing and affidavit on SouthTrust, its counsel, and such others as are entitled to notice under existing orders of the Bankruptcy Court, by hand delivery or facsimile, and the parties agree to request the Bankruptcy Court to hold a prompt

hearing on SouthTrust's request for relief from the automatic stay.

INTERIM RELIEF REQUESTED

17. The Debtor seeks authority to use cash collateral and to obtain the DIP Financing on an immediate basis to pay its operating expenses and to maintain and preserve the value of its assets, pending a final hearing on this Motion. The Debtor seeks authority to borrow additional funds, up to a total amount outstanding of \$2.8 million, on an interim basis pending a final hearing (the "Interim Period").⁴ At a final hearing on this Motion, the Debtor will seek entry of a final order (i) authorizing continued use of cash collateral, and (ii) approving the DIP Financing in the aggregate amount of \$3 million.

18. The Debtor believes that the interim relief requested herein is critical to avoid immediate and irreparable harm to the Debtor's estate, and to preserve and maximize the Debtor's assets.

19. Under Sections 363 and 364 of the Bankruptcy Code, this Court has authority to enter the proposed interim order permitting the Debtor to use cash collateral and obtain DIP financing during the Interim Period pursuant to the terms of the DIP Financing Agreement.

NOTICE AND SCHEDULING MATTERS

20. No committee of unsecured creditors has been appointed in the Debtor's bankruptcy case. In accordance with Bankruptcy Rule 4001(b) and (c), the Debtor has served a copy of this Motion and the proposed interim order by first class mail upon the twenty largest unsecured creditors of the Debtor, and by hand delivery or overnight mail upon the Debtor's other secured lenders (AmSouth and Supply) and the other parties on the Service List proposed by the Debtor (collectively, the "Interested Parties").

⁴ Since approximately \$2.6 million was outstanding as of the Petition Date, this interim request seeks authority to borrow up to an additional \$200,000 during the Interim Period.

21. Under Bankruptcy Rules 4001(b)(2) and (c)(2), the Court may commence a final hearing on a motion for authority to use of cash collateral and to obtain credit no earlier than fifteen (15) days after service of the motion and notice of hearing on the motion. Bankruptcy Rule 4001(b)(2) and (c)(2) further provide, however, that the Court may conduct a preliminary hearing on such matters before the expiration of the 15-day notice period as necessary to avoid immediate and irreparable harm to a debtor's estate pending a final hearing.

22. The Debtor respectfully requests the Court to conduct a preliminary hearing on the Motion as soon as possible to authorize the use of cash collateral and to obtain credit on an interim basis as necessary to avoid immediate and irreparable harm to the Debtor's estate pending a final hearing.

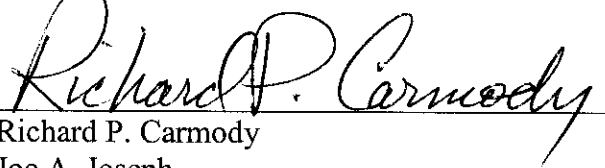
23. The Debtor also requests that the Court schedule a final hearing to consider entry of a final order authorizing the Debtor to use cash collateral and obtain credit beyond the Interim Period. Within two (2) business days after entry of the interim order, the Debtor proposes to give notice of the date and time of the final hearing, and to provide a copy of the interim order as entered by the Court, to the Interested Parties.

24. The Debtor further proposes to send a copy of the proposed final order authorizing the Debtor to use cash collateral and to obtain secured credit to the Interested Parties at least three (3) business days prior to the date scheduled for the final hearing on this Motion. The Debtor believes that this procedure will afford Interested Parties sufficient time to review such final order and meaningfully participate in a final hearing on the Motion.

CONCLUSION

WHEREFORE, the Debtor respectfully prays that this Court (i) enter the proposed interim order submitted with this Motion (A) authorizing the Debtor to obtain secured credit and use cash collateral during the Interim Period, (B) scheduling a final hearing to consider authorizing the Debtor to obtain credit and use cash collateral beyond the Interim Period, and prescribing the form and manner of notice, (C) providing adequate protection, and (D) granting interim relief; and (ii) following a final hearing on this Motion, enter a final order authorizing the Debtor to obtain credit and use cash collateral upon the terms set forth herein and in the DIP Loan Agreement; (iii) and grant such other and further relief as may be just and proper.

Respectfully submitted,



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Joe A. Joseph

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Washington, D.C. 20007
(202) 424-7500

Proposed Attorneys for Shook & Fletcher Insulation
Co., as Debtor and Debtor-in-Possession

Dated: April 8, 2002

Exhibit A

Copies of Pre-petition Note and Pre-Petition Loan Agreement

REVOLVING NOTE

\$ 3,000,000.00 Birmingham AL MARCH 22, 2001
(City) (State) (Date)

For value received, the undersigned (whether one or more, hereinafter called the "Obligors") promise(s) to pay to the order of SouthTrust Bank, National Association (hereinafter called the "Bank" or, together with any other holder of this note, the "Holder"), at any office of the Bank in Birmingham, AL, or at such other place as the Holder may designate, the principal sum of THREE MILLION AND NO/100 Dollars, or such lesser amount as may be outstanding and unpaid hereunder, together with interest on each advance made under this note at the rate provided below from the date each advance hereunder is made to the earlier of the date such advance is repaid or maturity of this note (whether as originally scheduled, upon demand, or upon acceleration following default), and with interest on the unpaid balance of the principal sum (plus accrued but unpaid interest at maturity, to the extent permitted by law) at the rate which is 2 percent per annum in excess of the rate provided below or the maximum rate allowed by law, whichever is less, from maturity until said indebtedness is paid in full.

Interest will accrue on the above-stated principal sum daily at the rate per annum which is -0.25 percentage points in excess of the Base Rate. As used in this note, the term "Base Rate" means the rate of interest designated by the Bank periodically as its Base Rate. The Base Rate is not necessarily the lowest rate charged by the Bank. The Base Rate on the date of this note is 8.0 8.50 percent. The rate of interest payable under this note will change to reflect any change in the Base Rate:
X on any day the Base Rate changes. on the day of each month hereafter.
 on the day each payment of interest is due as provided below.

Interest on the principal sum will be calculated at the rate set forth above on the basis of a 360-day year and the actual number of days elapsed by multiplying the principal sum by the per annum rate set forth above, multiplying the product thereof by the actual number of days elapsed, and dividing the product so obtained by 360.

Obligors may prepay this note in full at any time without penalty.

The Obligors promise to pay the above-stated principal sum in full:

 on , on demand.
X on demand, but if no demand is made, then on APRIL 1, 2002.

The Obligors promise to pay accrued interest on the unpaid balance of the principal sum:

X monthly on the 1ST day of each month beginning MAY 1, 2001, and at maturity.
 quarterly beginning on , on the same day every three months thereafter, and at maturity.

All payments under this note shall be made in U.S. dollars and in immediately available funds at the place where payment is due.

Until the earlier of maturity of this note, or the occurrence of any event giving Bank the right to accelerate maturity of this note as provided below, or written or oral notice to any Obligor of Bank's election to terminate the line of credit (which notice Bank may give at its discretion), the undersigned may borrow hereunder, prepay the principal sum in whole or in part without penalty, and reborrow hereunder, so long as the aggregate unpaid principal balance of such borrowings does not exceed the principal amount of this note at any time. Bank may require that borrowings be made only upon at least one banking day's written notice to Bank.

COMMITMENT FEE (This provision applicable only if completed):

For the privilege of having such credit available, the undersigned agrees to pay Bank a commitment fee of n/a percent per annum on the unused portion of the principal sum of this note, such fee to be calculated and payable as follows:

LOAN FEE (This provision applicable only if completed):

A loan fee in the amount of \$ has been included in the amount of this note and paid to the Bank from the loan proceeds. paid to the Bank by cash or check at closing. The loan fee is earned by the Bank when paid and is not subject to refund except to the extent required by law.

LATE CHARGE

If payment of the principal sum or any scheduled payment of interest is late 10 days or more, Obligors promise to pay a late charge equal to one-half of one percent (1/2%) of the amount of the payment which is late, subject to a minimum late charge of \$.50 and a maximum late charge of \$250.00. The preceding sentence does not apply if the original principal amount of this Note is less than \$2,000.

Additional Terms and Conditions of Revolving Note

(Terms Continued from Page 1)

This note is secured by every security agreement, pledge, assignment, stock power, mortgage, deed of trust, security deed and/or other instrument covering personal or real property (all of which are hereinafter included in the term "Separate Agreements") which secures an obligation so defined as to include this note, including without limitation all such Separate Agreements which are of even date herewith and/or described in the space below. In addition, as security for the payment of any and all liabilities and obligations of the Obligors to the Holder (including this note and the indebtedness evidenced by this note and all extensions, renewals and modifications thereof, and all writings delivered in substitution therefor) and all claims of every nature of the Holder against the Obligors, whether present or future, and whether joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, direct or indirect (all of the foregoing are hereinafter included in the term "Obligations"), the Obligors hereby assign to the Holder and grant to the Holder a security interest in and security title to the property described below: (Describe Separate Agreements and Collateral)

Loan and Security Agreement dated March 22, 2001 covering all Accounts Receivable and Inventory of Debtor.

Limited Guaranty of Payment dated March 22, 2001

If this note is payable on demand, or on demand but not later than a stated date, all of the Obligations shall be due and payable in full upon demand by the Holder, whether or not any default described below has occurred and whether or not the Holder reasonably deems itself to be insecure. If this note has no provision for payment on demand, the following terms apply: if default occurs in the payment of any principal or interest or any other sum under this note exactly when due or with respect to any promise or agreement contained in this note (time being of the essence of every provision of this note); or if any of the Obligors shall fail to pay any other debt or obligation to the Holder exactly when due; or if for any reason whatever the Collateral shall cease to be satisfactory to the Holder; or if any of the Obligors or any guarantor or indorser of this note shall die (if an individual) or dissolve or cease to do business (if a partnership or corporation); or if any of the Obligors or any guarantor or indorser of this note becomes insolvent or makes a general assignment for the benefit of creditors, or files or has filed against him, her, or it a petition under any chapter of the United States Bankruptcy Code, or files or has filed against him, her, or it an application in any court for the appointment of a receiver or trustee for any substantial part of his, her, or its property or assets, or if a judgment or arbitration award is entered against any Obligor or any guarantor or indorser of this note or a levy, writ of execution, attachment, garnishment, seizure, or similar writ or judicial process is issued against any of the Obligors or any such guarantor or indorser or any of his, her, or its property or assets; or if any Obligor, indorser or guarantor of this note transfers all or any valuable part of his, her or its assets outside the ordinary course of business, or wastes, loses, or dissipates or permits waste, loss or dissipation of any valuable part of such person's assets; or if any Obligor, indorser or guarantor of this note is a partnership and any general partner of such partnership withdraws or is removed; or if any Obligor, indorser or guarantor of this note is a corporation and ownership or power to vote more than 50 percent of the voting stock of such corporation is transferred, directly or indirectly (including through any voting trust, irrevocable proxy, or the like), during any 12-month period; or if there occurs any default or event authorizing acceleration as contained in any Separate Agreement; or if any of the Obligors or any indorser or guarantor breaches any subordination agreement or intercreditor agreement made with or for the benefit of the Holder; or if at any time in the sole opinion of the Holder the financial responsibility of any Obligor or any indorser or guarantor of this note shall become impaired or the Holder otherwise deems itself to be insecure; then, if any of the foregoing occur, all unpaid amounts of any or all of the Obligations (including this note) and all accrued but unpaid interest thereon shall, at the option of the Holder and without notice or demand, become immediately due and payable, notwithstanding any time or credit allowed under any of the Obligations or under any instrument evidencing the same.

With respect to any and all Obligations, to the extent permitted by applicable law, the Obligors and any indorsers of this note jointly and severally waive the following: (1) all rights of exemption of property from levy or sale under execution or other process for the collection of debts under the constitution and laws of the United States or of any state thereof; (2) demand, presentment, protest, notice of dishonor, suit against any party and all other requirements necessary to charge or hold any Obligor or indorser liable on any Obligation; (3) any further receipt for or acknowledgment of the Collateral now or hereafter deposited and any statement of indebtedness; (4) all statutory provisions and requirements for the benefit of any Obligor or indorser, now or hereafter in force (to the extent that same may be waived); (5) the right to interpose any set-off or counterclaim of any nature or description in any litigation in which the Holder and any Obligor or indorser shall be adverse parties. The Obligors and indorsers agree that any Obligations of any Obligor or indorser may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, discharged or released by the Holder, and any collateral, security interest, lien and/or right of set-off securing any Obligation may, from time to time, in whole or in part, be exchanged, sold, released, or otherwise impaired, all without notice to or further reservations of rights against any Obligor or any other person and all without in any way affecting or discharging the liability of any Obligor or indorser.

The Obligors jointly and severally agree to pay all filing fees and taxes in connection with this note or the Collateral and all costs of collecting or attempting to collect this note after default, including an attorney's fee in the amount which is 15% of the unpaid balance of this note upon default by Obligors if an attorney who is not a salaried employee of the Holder is consulted with reference to suit, bankruptcy proceedings, or otherwise.

The Obligors are jointly and severally liable for the payment of this note and have subscribed their names hereto without condition that anyone else should sign or become bound hereon and without any other condition whatever being made. The provisions printed on pages 3 through 4 are a part of this note. The provisions of this note are binding on the heirs, executors, administrators, successors and assigns of each and every Obligor and shall inure to the benefit of the Holder, its successors and assigns. This note is executed under the seal of each of the Obligors and of the indorsers, if any, with the intention that it be an instrument under seal.

Address of Obligors:

P.O. Box 380501

Birmingham, AL 35238

No. 5250743-30504

Officer: Rhett Jordan AAO

Branch: Metro Lending 072

Shook & Fletcher Insulation Co., Inc.

(L.S.)

By

Dr. Wayne Killian, Jr.

Title Pres/CEO

Signature

(L.S.)

Signature

(L.S.)

Additional Terms and Conditions of Revolving Note

(Terms Continued from Page 2)

Each Obligor and each guarantor and indorser agrees (a) in the event such Obligor, guarantor or indorser is other than an individual, to furnish the Holder at least annually, within 120 days after the end of each calendar year or other fiscal year of such entity, a current financial statement, including a balance sheet and statements of income, cash flows and changes in capital for such year, setting forth in each case in comparative form the corresponding figures for the previous year, together with accompanying schedules and footnotes along with the accountant's letter accompanying the financial statements (if the financial statements were compiled or certified by a public accountant), such financial statements to be certified by the chief executive officer, chief financial officer, managing partner or comparable financial officer of such Obligor, guarantor or indorser to be true and complete to the best of his or her knowledge and belief and to have been prepared in accordance with generally accepted accounting principles or, if not so prepared, setting forth the manner in which such financial statement departs from generally accepted accounting principles; (b) in the event such Obligor, guarantor or indorser is an individual, to furnish the Holder at least annually, within 90 days after each anniversary date of this note, a personal financial statement in form satisfactory to the Holder, certified by such person to be true and complete to the best of his or her knowledge and belief, and to furnish the Holder, within 30 days after the Holder's request therefor, a copy of the federal income tax return most recently filed by such person; and (c) that this paragraph applies in addition to and not in lieu of any other agreement with the Holder which requires the furnishing of financial information.

As additional collateral for the payment of all Obligations, the Obligors jointly and severally transfer, assign, pledge, and set over to the Holder, and grant the Holder a continuing lien upon and security interest in, any and all property of each Obligor that for any purpose, whether in trust for any Obligor or for custody, pledge, collection or otherwise, is now or hereafter in the actual or constructive possession of, or in transit to, the Holder in any capacity, its correspondents or agents, and also a continuing lien upon and right of set-off against all deposits and credits of each Obligor with, and all claims of each Obligor against, the Holder now or at any time hereafter existing. The Holder is hereby authorized, at any time or times and without prior notice, to apply such property, deposits, credits, and claims, in whole or in part and in such order as the Holder may elect, to the payment of, or as a reserve against, one or more of the Obligations, whether other Collateral therefor is deemed adequate or not. All such property, deposits, credits and claims of the Obligors are included in the term Collateral, and the Holder shall have (unless prohibited by law) the same rights with respect to such Collateral as it has with respect to other Collateral.

Without the necessity for notice to or consent of any Obligor, the Holder may exercise any rights of any of the Obligors with respect to any Collateral, including without limitation thereto the following rights: (1) to record or register in, or otherwise transfer into, the name of the Holder or its nominee any part of the Collateral, without disclosing that the Holder's interest is that of a secured party; (2) to pledge or otherwise transfer any or all of the Obligations and/or Collateral, whereupon any pledgee or transferee shall have all the rights of the Holder hereunder, and the Holder shall thereafter be fully discharged and relieved from all responsibility and liability for the Collateral so transferred but shall retain all rights and powers hereunder as to all Collateral not so transferred; (3) to take possession of any Collateral and to receive any proceeds of and dividends and income on any Collateral, including money, and to hold the same as Collateral or apply the same to any of the Obligations, the manner, order and extent of such application to be in the sole discretion of the Holder; (4) to exercise any and all rights of voting, conversion, exchange, subscription or other rights or options pertaining to any Collateral; and (5) to liquidate, demand, sue for, collect, compromise, receive and receipt for the cash or surrender value of any Collateral. If for any reason whatsoever the Collateral shall cease to be satisfactory to the Holder, the Obligors shall upon demand deposit with the Holder additional Collateral satisfactory to the Holder. Surrender of this note, upon payment or otherwise, shall not affect the right of the Holder to retain the Collateral as security for other Obligations. Upon default, the Obligors agree to assemble the Collateral and make it available to Holder at such place or places as the Holder shall designate.

The Holder shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral which is in its possession if it takes such reasonable actions for that purpose as the pledgor of such Collateral shall request in writing, but the Holder shall have sole power to determine whether such actions are reasonable. Any omission to do any act not requested by the pledgor shall not be deemed a failure to exercise reasonable care. The Obligors shall be responsible for the preservation of the Collateral and shall take all steps to preserve rights against prior parties. The Holder shall have the right to, but shall not be obligated to, preserve rights against prior parties. The Holder shall not be liable for, and no Obligor, indorser, or guarantor shall be discharged to any extent on account of, any failure to realize upon, or to exercise any right or power with respect to, any of the Obligations or Collateral, or for any delay in so doing.

The Holder, without making any demands whatsoever, shall have the right to sell all or any part of the Collateral, although the Obligations may be contingent or unmatured, whenever the Holder considers such sale necessary for its protection. Sale of the Collateral may be made, at any time and from time to time, at any public or private sale, at the option of the Holder, without advertisement or notice to any Obligor, except such notice as is required by law and cannot be waived. The Holder may purchase the Collateral at any such sale (unless prohibited by law) free from any equity of redemption and from all other claims. After deducting all expenses, including legal expenses and attorney's fees, for maintaining and selling the Collateral and collecting the proceeds of sale, the Holder shall have the right to apply the remainder of said proceeds in payment of, or as a reserve against, any of the Obligations, the manner, order and extent of such application to be in the sole discretion of the Holder. To the extent notice of any sale or other disposition of the Collateral is required by law to be given to any Obligor, the requirement of reasonable notice shall be met by sending such notice, as provided below, at least ten (10) calendar days before the time of sale or disposition. The Obligors shall remain liable to the Holder for the payment of any deficiency, with interest at the rate provided hereinabove. However, the Holder shall not be obligated to resort to any Collateral, but at its election, may proceed to enforce any of the Obligations in default against any or all of the Obligors.

The Obligors understand that the Bank may enter into participation agreements with participating banks whereby the Bank will sell undivided interests in this note to such other banks. The Obligors consent that the Bank may furnish information regarding the Obligors, including financial information, to such banks from time to time and also to prospective participating banks in order that such banks may make an informed decision whether to purchase a participation in this note. The Obligors hereby grant to each such participating bank, to the extent of its participation in this note, the right to apply deposit accounts maintained by the Obligors, or any of them, with such bank, against unpaid sums owed under this note. Upon written request from the Holder, the Obligors agree to make each payment under this note directly to each such participating bank in proportion to the participant's interest in this note as set forth in such request from the Holder.

If, at any time, the rate or amount of interest, late charge, attorneys' fees or any other charge payable under this note shall exceed the maximum rate or amount permitted by applicable law, then, for such time as such rate or amount would be excessive, its application shall be suspended and there shall be charged instead the maximum rate or amount permitted under such law, and any excess interest or other charge paid by the Obligors or collected by the Holder shall be refunded to the Obligors or credited against the principal sum of this note, at the election of the Holder or as required by applicable law. Obligors agree that the late charge provided in this note is a reasonable estimate of probable additional unanticipated internal costs to the Holder of reporting, accounting for, and collecting the late payment, that such costs are difficult or impossible to estimate accurately, and that the agreement to pay a late charge is a reasonable liquidated damages provision.

Additional Terms and Conditions of Revolving Note

(Terms Continued from Page 3)

The Holder shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies. No officer or agent of the Holder has the authority to amend or waive any of the terms of this note orally, and no amendment or waiver of any kind shall be valid unless in writing and signed by the Holder. All rights and remedies of the Holder under the terms of this note, under the Separate Agreements, and under any statutes or rules of law are cumulative and may be exercised successively or concurrently. The Obligors jointly and severally agree that the Holder shall be entitled to all the rights of a holder in due course of a negotiable instrument. This note shall be governed by and construed in accordance with the substantive laws of the United States and the state where the office of the Bank set forth in the first paragraph on page 1 of this note is located, without regard to the rules of such state governing conflicts of law. Any provision of this note which may be unenforceable or invalid under applicable law shall be ineffective to the extent of such unenforceability or invalidity without affecting the enforceability or validity of any other provision hereof. Any notice required to be given to any person shall be deemed sufficient if delivered to such person or if mailed, postage prepaid, to such person's address as it appears on this note or, if none appears, to any address of such person in the Holder's files. The Holder shall have the right to correct patent errors in this note. A photocopy of this note may be filed as a financing statement in any public office.

Time is of the essence of the payment and performance of this note.

EACH INDORSER OF THIS NOTE AGREES TO BE BOUND BY THE PROVISIONS PRINTED OR OTHERWISE APPEARING ON PAGES 1 THROUGH 4 OF THIS NOTE, INCLUDING THE PROVISION FOR PAYMENT OF ATTORNEYS' FEES FOR COLLECTION.

Signature See separate Guaranty of Payment dated [L.S.]

Address _____

Signature _____ [L.S.]

Address _____

LOAN AND SECURITY AGREEMENT

This Agreement and the undertakings as hereinafter provided are entered into by the undersigned, SHOOK & FLETCHER INSULATION CO., a Delaware corporation qualified to do business in Alabama (hereinafter also referred to by the use of the first person pronoun) to secure the obligations of the undersigned as hereinafter described to SOUTHTRUST BANK, a state banking corporation (hereinafter referred to by the use of the second person pronoun).

1. Grant. For value received and as security for all indebtedness, obligations, and liabilities of the undersigned to you, now existing or hereinafter contracted or arising, joint or several, due or to become due, absolute or contingent, direct or indirect, liquidated or unliquidated, and all renewals or extensions thereof, and whether incurred or given as maker, endorser, guarantor, or otherwise, the cost of preparing the closing documents, the cost of recording the instruments necessary to perfect your security interest, any cost of maintaining the insurance required by the terms of this agreement that you shall elect to advance (all such indebtedness, obligations, and liabilities, and all such renewals and extensions thereof, being herein called the "Obligations"), the undersigned does hereby pledge, assign, transfer, and set over, and grant a security interest (hereinafter collectively referred to as "security interest") to you in all of the following collateral (hereinafter "Collateral"), whether now owned or hereafter acquired and the proceeds therefrom:
 - (a) Contract rights and all of the accounts, notes, bills, acceptances, chattel paper, instruments, or other forms of obligations now existing or hereafter coming into existence in which we now have or may hereafter acquire any right; all proceeds thereof; all tax refunds due or to become due from the United States or the State of Alabama; money on deposit with any bank or savings and loan association;
 - (b) All inventory now or hereafter owned or acquired by us wherever the same shall be located, and whether or not such Inventory or any part thereof shall be in existence at the date hereof or shall come into existence subsequently thereto (the term "Inventory" being deemed to include all goods, wares, equipment, parts, merchandise, supplies, and materials of every nature used or usable in connection with our business);
 - (c) All proceeds of the goods and intangibles described above; and
 - (d) All of our books and records relating to those goods and intangibles described above.

It is our true, clear, and express intention that the continuing grant of this security interest remain as security for payment and performances of the Obligations, whether now existing or which may hereinafter be incurred by future advances, or otherwise; and whether or not

contemplated by the parties at the time of the granting of this security interest. The notice of the continuing grant of this security interest therefore shall not be required to be stated on the face of any document representing any such obligation and shall be deemed to have been made pursuant to Section 9-204(3) of the Uniform Commercial Code and any successor provision of the Uniform Commercial Code.

2. Place of Business; No Further Encumbrances. We hereby warrant and represent that our state of formation is Delaware and that our chief place of business and that our books and records concerning our inventory will be at 4625 Valleydale Road, Birmingham, Alabama 35242. We hereby further warrant, represent, and agree that we will not, without your prior written approval, pledge, assign, transfer, or set over or in any way encumber or grant any security interest in any of our assets of any kind and nature or description, now existing or hereafter acquired, other than to you or other than purchase money security interests.

3. Default; Remedies.

(a) Upon our failure to pay to you any sums of money when due and payable; or upon your demand for full payment of all sums and Obligations due you; or upon our breach of or failure to perform any term, provision, condition, warranty, representation, or agreement contained herein, or in any other instrument now or hereafter executed by us; or in the event we shall become insolvent, or there shall be filed by or against us a Petition for Relief under the Bankruptcy Code, the appointment of a Trustee or Receiver of or for any part of our property, the making of an assignment for the benefit of our creditors, of our calling a meeting of our creditors, our failure to meet our obligations as they mature; or if the lease on the facilities now occupied by us shall be declared in default; or upon termination of this Agreement, then upon the happening of any such events (hereinafter "Events of Default") all amounts owing to you by us shall immediately become due and payable and you shall then and at all times thereafter have the right, WITHOUT NOTICE TO US, AND WITHOUT NECESSITY OF A PRE-SEIZURE HEARING WHICH WE HEREBY EXPRESSLY WAIVE, to take possession of the Collateral in which you have a security interest; to sell or otherwise dispose of any and all Collateral in which you may then have a security interest, in bulk, or in separate lots, at either public or private sale without advertisement which is hereby waived, and upon your sending us a notice seven (7) days prior to the date of sale, which notice we do hereby agree to be reasonable notice of such sale or disposition, at such prices and upon such terms and conditions as you may determine and you are hereby authorized to be the successful bidder and purchaser at any such sale and/or sales.

(b) We shall be entitled to credit only for the actual amount of the cash received by you as a result of your exercise of such rights, less all your costs and expenses including collection, legal, inventorying, storage, packaging, processing, transportation, and sale. If there be a surplus remaining after applying the net proceeds of any such sale and/or sales to our Obligations, you shall remit such surplus to us and if there be a deficiency, we shall remain liable to you therefor.

(c) The rights herein granted to you shall be in addition to and not in lieu of all other rights to which you are entitled under this Agreement or of any agreement evidencing an Obligation to you, or at law, and resort to security shall not be required at any time. You shall be under no obligation to exercise any specific rights under this Agreement or at law and you shall in no way be liable to us for your failure to collect or enforce the payment of any receivable or sell any Collateral nor for the negligence of your agents or attorneys with respect thereto. We agree to pay to you all expenses incurred by you, including your reasonable attorneys' fees, in obtaining or enforcing payment of any sums owing by us, to us, or the discharge of any of our Obligations.

(d) We recognize that in any commercial venture there is a possibility of reorganization under the protection of Title 11 of the United States Code as last amended (Bankruptcy Code). We further recognize that if such were to occur, the Bankruptcy Court will be called upon to make a determination of adequate protection under Section 362 and 363 of the Bankruptcy Code. This determination would require a valuation of the Collateral. That valuation would require that there be taken into consideration the potential for collateral deterioration, commercial reasonable disposition, liquidation values, equity cushion, and Collateral cushion. To assist the Bankruptcy Court, we have given consideration to these variables and have agreed, as a part of the bargain of the parties at the time that this Agreement was entered, to certain minimum standards of Collateral valuation: (a) The Receivables that are current at the time of the determination of adequate protection will be valued at their stated value; the Receivables that are more than 30 days old, but less than 60 days old, shall be valued at 75% of their stated value; the Receivables that are more than 60 days old, but less than 90 days old, shall be valued at 40% of their stated value; the Receivables that are over 90 days old, but less than 120 days old, shall be valued at 10% of their stated value; and the Receivables that are over 120 days old shall be deemed to have no value. (b) The Inventory shall be valued at cost, less freight, less the cost of sales, as those costs are determined from the records of the preceding six months for which complete records are available. (c) We agree that these minimum standards shall be conclusive evidence in any proceeding to determine adequate protection under the Bankruptcy Code. (d) The fact that we have established minimum standards as a part of the bargain for consideration is not to be deemed as approval for us to use "Cash Collateral" as defined by Section 363 of the Bankruptcy Code, which use, by us, is especially prohibited. (e) This Agreement as to the collateral valuation for the purpose of determining adequate protection may be submitted to the Bankruptcy Court by you in any such proceedings, in your sole and exclusive discretion, as conclusive evidence as to the agreement of the parties at the time of any such hearing. (f) Any such submission shall not constitute a waiver of any default or breach hereunder, or of any other agreement made to you, which shall serve only as evidence for the limited purpose as stated herein. (g) We further agree that in the event we or our shareholders or creditors (if applicable) shall (i) file with any bankruptcy court of competent jurisdiction or be the subject of any petition for relief under Title 11 of the United States Code, as amended; (ii) be the subject of any order for relief issued under such Title 11 of the United States Code, as amended; (iii) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar

relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors; (iv) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator; or (v) be the subject of any order, judgment or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or relief for debtors, you shall thereupon be entitled to relief from any automatic stay imposed by Section 362 of Title 11 of the United States Code, as amended or otherwise, on or against the exercise of the rights and remedies otherwise available to you as provided in this Agreement or any other agreement, and as otherwise provided by law, and we hereby waive the benefits of such automatic stay and consent and agree to raise no objection to such relief.

4. Taxes and Assessments. We will pay all taxes, assessments, or governmental charges levied, assessed, or imposed against us or our properties or arising out of our operations promptly as they become due and payable, provided, however, that if we shall have set aside on our books reserves deemed adequate therefor, we shall have the right to contest in good faith, by appropriate proceedings, any such proceedings, any such taxes, assessments or governmental charges or levies, and pending such contest may delay or defer the payment thereof unless thereby the property in which you have a security interest will be in danger of being forfeited or lost.
5. Rights of Lender. At your request, we shall give notice of your security interest in Receivables to our debtors in such form and at such times as you may require, and you may give such notice to our debtors at any time or times and collect the Receivables in your own name. We hereby constitute you, or any other person whom you may designate as our attorney-in-fact with power to send request for verification of account to any debtor or ours and, after an Event of Default as herein provided: (a) to receive, open and dispose of all mail addressed to us; (b) to endorse our name on any notes, acceptances, checks, drafts, money orders or other evidences of payment or collateral that may come into your possession; (c) to sign our name on any invoices relating to any Receivables, or drafts against debtors, assignments and verifications of accounts and notices to debtors; (d) to enter into contracts or agreements for the processing, fabrication, packing and delivery of such inventory as he, or you, may from time to time deem appropriate and charge our account for any reasonable cost thereby incurred; and (e) to do all other acts and things necessary to carry out this Agreement. All acts of such attorney-in-fact or designee are hereby ratified and approved by us and said attorney or designee shall not be liable for any acts of commission or omission nor for any error of judgment or mistake of fact or law. This power, being coupled with an interest, is irrevocable while any Obligation shall remain unpaid.
6. Reports to Lender. So long as there shall be an Obligation due you, we covenant and agree that we will furnish you: (a) on or before the tenth (10) business day of each month, (i) an alphabetical schedule of all our receivables and our accounts payable aged according to the month of origin, and (ii) an inventory report giving physical location, type of Inventory and

cost of each type; (b) within thirty (30) days of the end of each quarterly period of our fiscal year, financial statements of our affairs (including balance sheets, profit and loss figures, and accountant's comments) for the period and for the period from the beginning of the fiscal year to the end of such period set forth in each case in comparative form the figures for the corresponding period of the previous fiscal year, and all compiled by an independent public accountant of recognized standing selected by us and acceptable to you; (c) as soon as available and in any event within ninety (90) days after the end of each fiscal year, the report of the physical inventory of our Inventory taken by us at the end of each of our fiscal years, a balance sheet as of such fiscal year and copies of the related statements of income, changes in capital accounts and changes in financial position for such fiscal year, all in reasonable detail and stated in comparative form the figures as of the end and for the previous fiscal year, and all reviewed by independent public accountants of recognized standing selected by us and acceptable to you; (d) a prompt written report of any material adverse change in the condition of the Collateral or of our other properties; and (e) a prompt written notice of any action or inaction by you or any of your agents or attorneys in connection with this Agreement or the advances or Obligations hereunder, that may be actionable against you, your agents, your attorneys, or a defense to payment of the Obligations for any reason, including, but not limited to, commission of a tort or violation of any contractual duty or duty implied by law.

All statements delivered pursuant to subclause "(b)" and "(d)" shall be accompanied by a certificate of our President or a principal financial officer and, in the case of the financial statements delivered pursuant to subclause "(c)", a certificate of independent public accountants, in each case stating that the review in connection with the furnishing of such report included a review of the terms of this Agreement, the closing documents made pursuant to the terms hereof, and that in making such review or examination no knowledge was obtained of any Event of Default or condition or event (other than a condition or event which was waived in writing by you) which, with notice or lapse of time or both, would constitute an Event of Default (or, if any such Event of Default, condition or event shall exist, the nature and period of existence thereof). If at any time any officer of ours shall obtain knowledge of any such Event of Default, condition or event (whether or not in connection with the preparation or furnishing of such reports) there shall be delivered promptly to you a certificate of our President specifying the nature and period of existence thereof and what we propose to do with respect thereto.

We agree that unless the notice provided for in subclause "(e)" hereof is duly given as promptly as possible (and in any event within ten (10) days) after we have knowledge or with the exercise of reasonable diligence should have had knowledge of any such action or inaction, we will not assert and shall be deemed to have waived, any claim or defense arising therefrom.

We hereby authorize you to make or cause to be made, at our expense, and in such manner and at such times as you may require, (a) inspections and audits of our books, records and papers relating to our financial or business condition, and (b) inspections and appraisals of

our assets. In this regard, we hereby irrevocably authorize and direct any and all external or internal accountants at any time acting for us and all Federal, State, and municipal authorities to furnish you reports of examinations, records, and other information relating to our condition and affairs, to give you any information you may from time to time request concerning our financial affairs and to furnish you with copies of any and all statements, documents, records, papers, etc. in their possession pertaining thereto. We will maintain at our own costs and expense complete records with respect to the inventory, and all dealings affecting any of the inventory. We agree that we will deliver any such books and records to you or your representative at any time upon your demand at our cost and we agree you may inspect and make extracts from all of our books and records upon our premises at all reasonable times. We further agree from time to time at your request to deliver to you any or all original or other documents evidencing or relating to the purchase, sale, delivery and receipt of merchandise which form any part of the inventory including but not limited to all original contracts, orders, invoices, bills of lading, warehouse receipts and shipping receipts.

We further agree from time to time at your request to deliver to you any or all original or other documents evidencing or relating to the purchase, sale, delivery and receipt of merchandise which form any part of the Receivables including but not limited to all original contracts, orders, invoices, bills of lading, and shipping receipts, and you shall succeed to all rights, remedies, securities and liens which we may have with respect to the Receivables, including guaranties of Receivables or other contracts of suretyship with respect thereto, and we shall deliver to you separate written instruments confirming your security interest in (or assignments of) any of the same.

You may conduct audits of our affairs which you shall reasonably deem appropriate. We will reimburse you for the actual reasonable expenses paid by you in connection with these audits which shall include lodging, overtime and the like, but will not include salaries paid to your employees.

At any time, and from time to time, upon your written request, and at our cost and expense, we will promptly execute and deliver such further agreements and documents and take such further action as you shall reasonably deem necessary or desirable in obtaining the full benefits of this Agreement and of the rights and powers herein granted.

7. Representations and Warranties. To induce you to accept this Agreement we represent, warrant, and covenant that: (a) We have heretofore furnished to you financial information of ours and our guarantor, and such financial information presents fairly the financial position therein reflected for the respective period covered thereby, in conformity with generally accepted accounting principles applied on a consistent basis through the periods involved. (b) There has been no material adverse change in our or our guarantor's financial condition since the date or dates of such financial information and there will be no material adverse change in such conditions at any time you make an advance of the loan proceeds of which you will not have written notice. (c) There is no action, suit, or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or,

to our knowledge threatened or in prospect against or affecting us, or any property or rights of ours, which if adversely determined, would materially impair our ability to carry-on our business in accord with the projections furnished you or would materially and adversely affect our financial condition. (d) We are not now in default, in any material respect or under any judgment, order, injunction, rule, ruling, or regulation of any court or governmental commission, agency, or instrumentality. (e) We have filed or caused to be filed all federal, state, and local tax returns, which are required to be filed, and have paid or caused to be paid all taxes as shown on said returns or on any assessments received by us, to the extent that such taxes have become due, except as otherwise permitted by the provisions hereof. (f) Neither the execution and delivery of this Agreement, the assignments nor the consummation of the transactions contemplated hereby and thereby, nor compliance with the terms and provisions hereof and thereof, will conflict with, violate or result in a breach of or default under or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on any of the assets of ours, pursuant to the terms of any provision of any permit, franchise, contract, or agreement, any law, ordinance or rule or any order, certificate, license, regulation or decree of the United States or any state, territory, or political subdivision thereof, or any court, agency or other tribunal under which we or any of our assets are subject. (g) We are not in default of the performance, observation, or fulfillment of any of the obligations, covenants, or conditions contained in any of the foregoing or any material agreement or instrument to which we are a party or by which we are bound with the exception of the agreement giving rise to the Obligation hereunder. (h) We are a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and are validly existing and in good standing under the laws of the State of Alabama, and have the corporate power to own our properties and to carry on our business as now being conducted, and are duly qualified to do business and in good standing in every jurisdiction in which the character of the properties owned by us or in which the transaction of our business makes qualification necessary. (i) We have full power and authority to enter into this Agreement, to execute and deliver the Note, and to incur the obligations provided for therein, all of which have been authorized by all proper and necessary corporate action. (j) We have good and marketable title to all of our assets, subject to no lien, mortgage, pledge, encumbrance, or charges of any kind not previously disclosed in writing to you as are herein set out except inchoate liens arising by operation of law for obligations which are not yet due. (k) We will maintain insurance with insurance companies satisfactory to you on such of our properties, in such amounts and against such risks as is customarily maintained in similar businesses operating in the same vicinity, and, within 10 days after notice in writing from you shall obtain such additional insurance as you may reasonably request to protect your security interest. (l) We will comply with all applicable statutes and governmental regulations and pay all taxes, assessments, charges, claims for labor, supplies, rent, and other obligations which, if unpaid, might give rise to a lien against our property except claims being contested in good faith against which reserves have been set up. (m) We will duly and punctually pay the principal and interest on the Obligations in accordance with the terms thereof and of this Agreement and pay other indebtedness reflected on our financial statements delivered to you and referred to herein and other indebtedness incurred after the date hereof in accordance with the terms of such indebtedness. (n) We will comply with

each and every term of your March 5, 2001 commitment letter to us, which we have accepted.

8. Eligible Receivables. "Eligible Receivables" are defined as those receivables of ours, which (i) represent bona fide obligations of our customers who a) are carrying on their business, b) are not insolvent, c) are ~~not~~ in bankruptcy, d) are not conducting a bulk sale of their assets, e) have not made a general assignment for the benefit of creditors, f) have not called a meeting of creditors or attempted to secure from its creditors a general extension, g) have not had a receiver appointed for them, and h) are not affiliates of ours; (ii) are not owing from our customer for more ~~than~~ ninety (90) days from the date of invoice irrespective of the reason therefor; (iii) are free and clear of all liens and encumbrances (except for your security interest); (iv) are owing to us without dispute, offset or counterclaim; (v) the customer has or will accept the goods rendered without dispute or claim in any respect and will pay the invoice therefor in full ~~at~~ its stated maturity without deduction of any kind, nature or description whatsoever; ~~and~~ (vi) the customer is domiciled within the United States, (or if not domiciled within the United States, is guaranteed by a domestic letter of credit acceptable to you).

Provided, however, that if any receivables from any one of our customers shall be more than 35% of our total receivables, or if it shall have a payment date of more than 30 days from the date of our invoice, it ~~must~~ have your prior written approval to qualify as a Eligible Receivable.

If any of our receivables ~~shall~~ arise out of contracts with the United States of America or any state thereof or any political subdivision, department, agency or instrumentality of such federal or state government, we will immediately notify you in writing and in order for this receivable to qualify as a Eligible Receivable, we will, in addition to the requirements and conditions set forth above, execute any instruments and take any action required by you in order that all monies due ~~or~~ to become due under such contracts shall be assigned to you and notice thereof given to ~~such~~ federal government under the Federal Assignment of Claims Act, or in the case of a state statute or local ordinance analogous to said Claims Act, to such state government, or the appropriate political subdivision, and you are hereby expressly authorized as our agent to execute any such instruments and to take any such action.

9. Covenants of Borrower. So long as there shall be an outstanding obligation to you, we warrant and agree that ~~without~~ your written consent, (a) we will not make a material change in the manner in which we conduct our business; (b) we will not change our corporation structure, our name, or our state of formation, and we will maintain our principal place of business and our records at 4625 Valleydale Road, Birmingham, Alabama 35242; (c) we will not merge or consolidate ~~with~~ any entity; (d) we will not sell our assets (including inventory) in bulk or any manner ~~other~~ than in the regular course of our business; (e) we will not make any distribution of our assets other than reasonable compensation for services, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise to ourselves or any of our employees or any company directly or indirectly

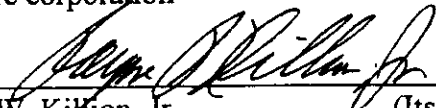
controlled or affiliated with us, other than in the ordinary course of business; (f) we will not make advances to our employees, pay dividends, or make any capital disbursements, other than bonuses given in the ordinary course of business; (g) we will not otherwise become or remain liable in connection with the obligations of any other person or company except for temporary short term investments and high grade commercial paper and certificates of deposit; (h) we will not diversify our business from that represented to you; (i) we will keep proper books of account in a manner satisfactory to you; (j) we will not execute or implement any contracts for management consulting services; (k) we will not issue or grant any discount, credit or allowance as to our receivables other than that which is usual and normal in the course of our business unless such is shown on our invoice and reported to you as a deduction from our receivables; (l) we will immediately advise you of any disputes or claims as to our receivables; (m) we will immediately advise you of any information we may acquire as to the occurrence of any of the events set forth that would cause a receivable to cease being an Eligible Receivable (as that term is defined in Section 8 hereof); (n) we will not incur Obligations to you evidenced by a Promissory Note dated this date, or any renewals or refinancing thereof, which exceed 75% of the net amount of our Eligible Receivables (net amount being the gross amount less all returns, discounts, credits and allowances) which in your opinion are good, current, acceptable and collectible, plus 50% of the cost of our inventory (less work-in-process) as shall be free of all liens and encumbrances (other than your security interest); (o) we have and as of the last day of each fiscal year we will have a Tangible Net Worth of not less than \$2,000,000.00 (Tangible Net Worth is defined as Total Assets (less intangibles) minus Total Liabilities); (p) we have and as of the last day of each fiscal year we will have a Fixed Charge Coverage ratio of not less than 1.5:1 (Fixed Charge Coverage is defined as the sum of Net Income plus Depreciation plus Interest Expense plus Lease Expense divided by the sum of Interest Expense plus Lease Expense plus Current Maturities of Long Term Debt).

10. Further Assurances. Prior to your acceptance of this Agreement you shall have received (a) policies of fire and extended coverage insurance insuring the Collateral covered by this Agreement for the full insurable interest thereof with long form loss-payable endorsements showing you as loss payee under a Standard New York (long form) endorsement; (b) a waiver of lien from any mortgagee or lessor of ours having an interest in the real estate upon which the Collateral is located, waiving any lien to which it may be entitled against such Collateral and providing among other things that, you may go upon the mortgaged or leased premises and remove said Collateral upon the occurrence of an Event of Default; (c) all financing statements required to perfect your security interest in the Collateral as you shall determine to be necessary or desirable; (d) satisfactory evidence of the lease of the premises where the Collateral is located; and (e) such additional supporting documents as you or your counsel may reasonably request.
11. Captions and Headings. All headings, subdivisions, and captions herein are used for reference only and do not limit the scope or intent of this Agreement.

12. Miscellaneous. Upon your acceptance hereof, this instrument shall inure to the benefit of and be binding upon both of us, our successors, and assigns, and shall be deemed a Security Agreement under the Uniform Commercial Code, dated as of the date of your acceptance and may be modified only in writing, signed by you, and shall be governed by the laws of the State of Alabama. Your books and records showing the account between us shall be admissible in evidence in any action or proceeding, shall be binding upon us for the purposes of establishing the items therein set forth and shall constitute prima facie proof thereof. No delay or failure on your part in exercising any right, privilege, or option hereunder or under any other written agreement to which we are a party, shall operate as a waiver of such right, privilege, or option and no waiver whatsoever shall be valid unless in writing signed by you and then only to the extent therein set forth. **WE CONSENT TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED IN BIRMINGHAM, ALABAMA AND WAIVE ANY OBJECTION WE MAY HAVE BASED UPON IMPROPER VENUE OR FORUM NON CONVENIENS OR TO THE CONDUCT OF ANY PROCEEDINGS IN ANY SUCH COURT. IN ANY JUDICIAL PROCEEDING BROUGHT WITH RESPECT TO THIS AGREEMENT, WE WAIVE ANY RIGHT TO TRIAL BY JURY.** This Agreement shall continue in full force and effect until terminated by full payment of all of our obligations to you. All rights and obligations arising out of transactions having their inception prior to termination shall not be affected thereby and shall continue in full force and effect despite such termination.

IN WITNESS WHEREOF, we have hereunto set our hands and seals, this 22nd day of March, 2001.

SHOOK & FLETCHER INSULATION CO., a
Delaware corporation

By: 
Wayne W. Killion, Jr. (Its President)

[CORPORATE SEAL]

Accepted at Birmingham, Alabama

on _____, 2001.

SOUTHTRUST BANK

By: _____

Its: _____

 **COPY**

AMENDMENT TO LOAN AND SECURITY AGREEMENT

This Amendment to Loan and Security Agreement ("Amendment") is made and entered into as of the 7th day of February, 2002, by and between Shook & Fletcher Insulation Co, a Delaware corporation ("Borrower") and SouthTrust Bank, an Alabama banking corporation ("Bank").

RECITALS:

Pursuant to that certain Loan and Security Agreement dated March 23, 2001 ("Loan Agreement"), which implemented the terms of that certain commitment letter dated March 5, 2001 from the Bank to the Borrower, the Bank agreed to make available to the Borrower, until April 1, 2002, a revolving line of credit (the "Revolving Line") of up to \$3,000,000, all pursuant to the terms of and subject to the terms of the Loan Agreement and the said commitment letter.

The Borrower and the Bank desire to amend the Loan Agreement to extend the availability of the Revolving Line to April 1, 2003, and the Bank is willing to do so, but only upon the requirement that the Borrower and the Bank enter into this Amendment, pursuant to which the Loan Agreement and the commitment letter shall be amended and modified as hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Bank do hereby agree, each with the other, as follows:

1. The termination date for the availability of the Revolving Line under the Loan Agreement is extended from April 1, 2002 until April 1, 2003.
2. Except as expressly amended or modified hereby, all terms and conditions of the Loan Agreement and the commitment letter shall be and remain unchanged, and the same are hereby ratified and confirmed in all respects by the Borrower and the Bank.
3. Mr. Wayne W. Killion, Sr. ("Guarantor") has provided to the Bank that certain Limited Guaranty dated March 23, 2001 ("Guaranty") pursuant to which, and subject to the terms of which, the Guarantor has provided a limited guaranty to the Bank of the Borrower's obligations. The Guarantor joins in this Amendment to confirm his knowledge of, and consent to, the extension of the availability of the Revolving Line and the other terms of this Amendment as set forth herein.

IN WITNESS WHEREOF, the parties have entered into this Amendment and have caused it to be executed by their respective officer(s) as of the date and year first above written.

SHOOK & FLETCHER INSULATION CO.

By [Signature]
Its President

SOUTHTRUST BANK

By [Signature]
Its COO

Executed for purposes of paragraph 3 above:

[Signature]
Wayne W. Killion, Sr.

STATE OF ALABAMA)

JEFFERSON COUNTY)

I, the undersigned, a notary public in and for said county in said state, hereby certify that Wayne W. Killion, Jr., whose name as President of Shook & Fletcher Insulation Co., a Delaware corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this 28 day of February, 2002.

[Signature]
Notary Public

My Commission Expires

My commission expires: April 18, 2005

[NOTARIAL SEAL]

STATE OF ALABAMA
JEFFERSON COUNTY

I, the undersigned, a notary public in and for said county in said state, hereby certify that Robert G. Brown, whose name as GOV of SouthTrust Bank, an Alabama banking corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this 1 day of February, 2002.

[Signature]
Notary Public

My commission expires: July 13 2004

[NOTARIAL SEAL]

STATE OF ALABAMA
JEFFERSON COUNTY

I, the undersigned, a notary public in and for said county in said state, hereby certify that Wayne W. Killion, Sr., whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he executed the same voluntarily on the day the same bears date.

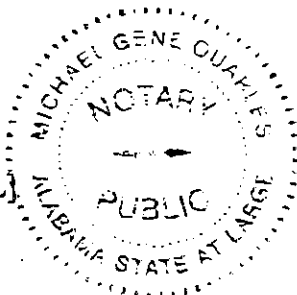
Given under my hand and official seal this 1ST day of March, 2002.

[Signature]
Notary Public

MY COMMISSION EXPIRES
8-27-2002

My commission expires: _____

[NOTARIAL SEAL]



 **COPY**

FIRST NOTE MODIFICATION AGREEMENT

This First Note Modification Agreement (this "Note Modification") is made effective as of the 7 day of February, 2002 (the "Effective Date") by and between Shook & Fletcher Insulation Co., a Delaware corporation ("Borrower") and SouthTrust Bank, an Alabama banking corporation ("Bank").

RECITALS:

The Borrower has previously delivered to the Bank that certain Revolving Note dated March 23, 2001 ("Revolving Note"), in the principal amount of \$3,000,000, and with the outstanding sum of such Note to be payable by the Borrower in full on demand, but if no demand is made, then on April 1, 2002 (the "Maturity Date").

The Borrower and the Bank desire to amend the Note in order to modify and extend the Maturity Date from April 1, 2002 to April 1, 2003. The Bank is willing to do so, but only upon the requirement that the Borrower and the Bank enter into this Note Modification, pursuant to which the Revolving Note shall be amended and modified as hereinafter set forth.

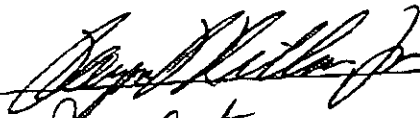
NOW, THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Bank do hereby agree, each with the other, as follows:

1. As of the Effective Date, the Maturity Date is hereby amended by amending and restating the "promise to pay" language in the Revolving Note with respect to principal as follows: "The Obligors promise to pay the above-stated principal sum in full on demand, but if no demand is made, then on April 1, 2003."
2. Except to the extent expressly modified by this Note Modification, all terms and provisions of the Revolving Note shall be unchanged, and shall be and remain in full force and effect.
3. Mr. Wayne W. Killion, Sr. ("Guarantor") has provided to the Bank that certain Limited Guaranty dated March 23, 2001 ("Guaranty") pursuant to which, and subject to the terms of which, the Guarantor has provided a limited guaranty to the Bank of the Borrower's Obligations. The Guarantor joins in this Note Modification to confirm his knowledge of, and consent to, the extension of the Maturity Date for the Revolving Note and the other terms of this Note Modification, as set forth herein.

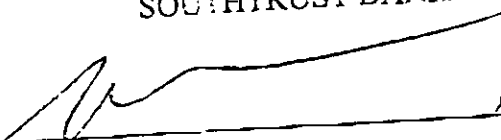
200391743 CORPORATE BOND

IN WITNESS WHEREOF, the parties have entered into this Note Modification and have caused it to be executed by their respective officer(s) as of the date and year first above written.

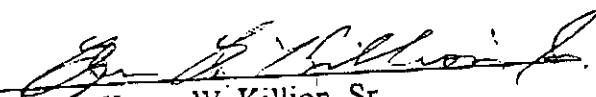
SHOOK & FLETCHER INSULATION CO.

By 
Its President

SOUTHTRUST BANK

By  R. G. Brown
Its CVP

Executed for purposes of paragraph 3 above:


Wayne W. Killion, Sr.

STATE OF ALABAMA)
)
JEFFERSON COUNTY)

I, the undersigned, a notary public in and for said county in said state, hereby certify that Wayne W. Killion, Jr., whose name as President of Shook & Fletcher Insulation Co., a Delaware corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this 28 day of February, 2002.

[Signature]
Notary Public
My Commission Expires April 18, 2005
My commission expires: _____

[NOTARIAL SEAL]

STATE OF ALABAMA)
)
JEFFERSON COUNTY)

I, the undersigned, a notary public in and for said county in said state, hereby certify that Robert G. Brown, whose name as GVP of SouthTrust Bank, an Alabama banking corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this 7 day of February, 2002.

[Signature]
Notary Public
My commission expires: July 13 2003

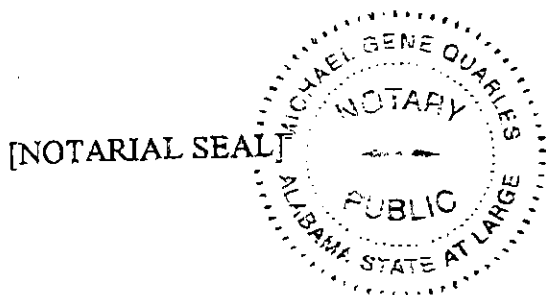
[NOTARIAL SEAL]

STATE OF ALABAMA

JEFFERSON COUNTY

I, the undersigned, a notary public in and for said county in said state, hereby certify that Wayne W. Killion, Sr., whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this 15th day of MARCH, 2002.



Michael G. Quarles
Notary Public
MY COMMISSION EXPIRES
8-27-2002
My commission expires: _____

Exhibit B

DIP Loan Agreement

**AGREEMENT REGARDING USE OF
CASH COLLATERAL AND DIP FINANCING**

THIS AGREEMENT REGARDING USE OF CASH COLLATERAL AND DIP FINANCING (this “**Agreement**”) is made and executed this ____ day of April, 2002 by and between Shook & Fletcher Insulation Co., a Delaware corporation (the “**Borrower**”), and SouthTrust Bank, an Alabama banking corporation (the “**Bank**”).

R E C I T A L S

WHEREAS, on or about April 8, 2002 (the “**Filing Date**”), the Borrower filed a voluntary petition under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101, et seq. (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the “**Bankruptcy Court**”); and

WHEREAS, on or about March 22, 2001, the Bank and the Borrower executed that certain Revolving Note dated March 22, 2001 (the “**Revolving Note**”) in the principal amount of \$3,000,000 (the “**Revolving Note**”); and

WHEREAS, as security for the Revolving Note, the Borrower executed and delivered to the Bank that certain Loan and Security Agreement dated March 22, 2001 and amended on February 7, 2002 (as amended, the “**Loan and Security Agreement**”, and together with all promissory notes, instruments, security agreements, guaranties, pledge agreements and other related documents, the “**Loan Documents**”); and

WHEREAS, pursuant to the Loan Documents, the Revolving Note is secured by properly perfected, first priority liens on certain property of the Borrower defined in the Loan and Security Agreement as the “**Collateral**”, which includes, without limitation, (a) all accounts, notes, bills, acceptances, chattel paper, instruments, contract rights, and all proceeds

thereof; (b) all inventory; (c) all proceeds of goods and intangibles constituting Collateral; and
(d) all books and records relating to the Collateral; and

WHEREAS, as of the Filing Date, the total indebtedness due under the Revolving Note was approximately \$2.6 million; and

WHEREAS, the Bank has first priority, properly perfected security interests in the Collateral; and

WHEREAS, the Bank was a fully secured creditor of the Borrower on the Filing Date and at all times during the ninety (90) day period preceding the Filing Date; and

WHEREAS, during the pendency of the Borrower's bankruptcy case, the Borrower has requested and the Bank has agreed pursuant to this Agreement (a) to permit the Borrower to use the Collateral, including cash collateral as that term is used within the meaning of Section 363 of the Bankruptcy Code (the "**Cash Collateral**") and (b) to provide the Borrower with post-petition financing by continuing in place on a post-petition basis the financing arrangement that existed prior to the Filing Date under the Loan Documents (the "**DIP Financing**"); and

WHEREAS, the Borrower and the Bank have entered into this Agreement to permit the Borrower to use the Collateral and the Cash Collateral after the Filing Date and to provide for the DIP Financing to the Borrower.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals, the covenants contained hereinafter and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Bank hereby agree as follows:

1. **Recitals.** The Borrower and the Bank agree that the above recitals are true and accurate and by execution of this Agreement each party acknowledges the truth, accuracy and binding effect of the representations and statements contained therein.

2. **Operation of Borrower's Business.** The Borrower shall continue to operate its business in the ordinary and usual course.

3. **Confirmation of Loan Documents; DIP Financing.** The Borrower acknowledges, agrees and affirms that, as of April __, 2002: (i) there is due and owing to the Bank under the Revolving Note, without defense, offset, counterclaim or claim of any kind, the principal sum of \$_____, together with all accrued interest thereon; and (ii) the foregoing indebtedness and all obligations under the Loan Documents are valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms and the Borrower hereby ratifies and reconfirms its obligations thereunder, including its obligation to make to the Bank all payments as they become due under the Revolving Note with such payments to be made in accordance with the terms of the Loan Documents. The Bank further agrees to continue to provide advances to the Borrower under the Loan Documents and the terms of this Agreement as DIP Financing, and all amounts advanced in respect of the DIP Financing shall be governed by and payable by the Borrower in accordance with the terms of the Loan Documents, as modified by this Agreement and an order of the Bankruptcy Court approving this Agreement and the DIP Financing provided for herein.

4. **Replacement Liens; Acknowledgement.** As additional collateral for the Borrower's obligations under the Loan Documents (including the Borrower's obligations in respect of the DIP Financing and this Agreement) and as adequate protection for the use of cash collateral, the Borrower hereby grants to the Bank a continuing first priority security interest and

replacement lien in and to the Collateral arising or acquired on or after the Filing Date, and all proceeds thereof. As additional security for the Borrower's obligations under the Loan Documents (including the Borrower's obligations in respect of the DIP Financing and this Agreement), the Borrower agrees that the claim of the Bank in respect of the DIP Financing and the use of the Cash Collateral shall be afforded the status granted by Section 364(c)(1) of the Bankruptcy Code. The Bank hereby acknowledges that the Borrower has subordinate financing outstanding to Shook & Fletcher Supply Co. of Alabama, Inc., a Delaware corporation, pursuant to the Loan and Security Agreement dated December 17, 2001, as amended, and the Agreement Regarding Use of Cash Collateral and Subordinated DIP Financing dated April __, 2002.

5. **Accrual of Interest.** During the term of this Agreement, and subject to there occurring no Events of Default under this Agreement, interest on all amounts outstanding under the Revolving Note and the DIP Financing shall be calculated at the non-default rates specified in the Loan Documents.

6. **Inspection of Collateral.** The Bank shall be permitted access to the Borrower's books and records for the purpose of inspection of the Collateral, upon two (2) business day's notice to the Borrower and its counsel.

7. **Reporting Requirements.** The Borrower shall continue to satisfy all financial reporting requirements provided for in the Loan Documents.

8. **Service of Operating and Reports.** The Borrower shall deliver to the Bank copies of all monthly operating reports required to be made to the Bankruptcy Administrator for the Northern District of Alabama.

9. **Modification of Automatic Stay.** Upon executing this Agreement, subject to the approval of the Bankruptcy Court, the automatic stay provided under Section 362(d) of the

Bankruptcy Code shall be modified to the extent necessary to effectuate the provisions of this Agreement, including, but not limited to, permitting the Bank to receive and apply the payments made by the Borrower in accordance with the terms and provisions of this Agreement.

Notwithstanding anything to the contrary herein, the automatic stay shall be modified to allow the Bank to exercise all of its contractual, legal and equitable rights in and to the Collateral, without further order or notice in the event that (a) the Bank files a duly executed affidavit with the Bankruptcy Court attesting to the occurrence of an Event of Default hereunder and serves a copy of such filing and affidavit on the Borrower, its counsel, and such others as are entitled to notice under existing orders of the Bankruptcy Court, by hand delivery or facsimile and (b) the Borrower fails to file, within five (5) business days of the Bank's filing of its affidavit, an affidavit of the Borrower with the Bankruptcy Court refuting that an Event of Default had occurred under this Agreement. If the Borrower does file an affidavit refuting that an Event of Default has occurred under this Agreement, the Borrower shall serve a copy of such filing and affidavit on the Bank, its counsel, and such others as are entitled to notice under existing orders of the Bankruptcy Court, by hand delivery or facsimile and the parties shall request that the Bankruptcy Court hold a prompt hearing on the Bank's request for relief from the automatic stay.

10. **No Waiver of Rights.** Except as otherwise provided in paragraph 5 and in the proviso to this sentence, the Borrower and the Bank agree that nothing contained herein or any actions authorized to be taken by the Bank pursuant to the terms of this Agreement shall be or constitute a waiver, release or relinquishment of any of the Bank's rights or interests in the Collateral including, without limitation its right to the Cash Collateral, or under the Loan Documents; provided however, that the Bank hereby forever waives any default or event of default under the Loan Documents or under the DIP Financing made pursuant to this Agreement

and the Loan Documents caused solely by the Borrower's filing of its voluntary petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court on the Filing Date (or the pendency of such case).

11. **Default.** The occurrence of any one or more of the following events shall constitute an "**Event of Default**" under this Agreement and the DIP Financing: (a) if a trustee is appointed in the Borrower's bankruptcy case, either under chapter 11 or chapter 7 of the Bankruptcy Code; (b) if there is a breach (whether continuing or not) of any financial covenant set forth in the Loan Documents; or (c) if there is a breach of any other term or condition of this Agreement or the underlying Loan Documents, as modified by this Agreement and an order of the Bankruptcy Court (other than defaults existing as of the Filing Date).

12. **Binding Effect.** This Agreement shall be binding upon Borrower as debtor -in-possession any subsequent appointed trustee, either under chapter 11 or chapter 7 of the Bankruptcy Code, and upon all other creditors of the estate who have or may hereinafter extend credit to the Borrower or its estate.

13. **Notices.** All notices required hereunder shall be given to the following parties as provided herein:

To Bank:	Robert Bowen SouthTrust Bank 112 North 20 th Street Birmingham, AL 35203
----------	--

With Copy To:	David S. Maxey, Esq. Spain & Gillon, LLC The Zinszer Building 2117 Second Avenue North Birmingham, AL 35203
---------------	---

To Borrower: Wayne W. Killion, Jr.
Shook & Fletcher Insulation Co.
4625 Valleydale Road
Birmingham, AL 35238
Facsimile: 205-991-7745

With Copy To: Roger Frankel, Esq.
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW, Suite 300
Washington, DC 20007-5116
Facsimile: 202-424-7645

14. **Release.** This Agreement does hereby constitute a full and complete release, waiver, discharge and relinquishment of any and all claims, rights, causes of action, demands or assertions that the Borrower has or may be entitled to assert against the Bank, as well as its insiders, affiliates, owners, predecessors, successors, assigns, employees, attorneys and/or agents, whether known or unknown, as of the date of this Agreement.

15. **Jurisdiction.** Notwithstanding any provision of the Loan Documents to the contrary, the Bankruptcy Court shall retain exclusive jurisdiction over the subject matter of this Agreement in order to resolve any dispute in connection with the rights and duties specified hereunder.

16. **Full Force and Effect.** This Agreement is subject to the approval of the Bankruptcy Court. Except as modified herein and by an order of the Bankruptcy Court, the terms and provisions of the Loan Documents shall remain in full force and effect.

IN WITNESS WHEREOF, the Borrower and the Bank have executed this Agreement on
the day and year first written above.

Shook & Fletcher INSULATION CO., a Delaware
corporation, as debtor and debtor-in-possession

By: _____
Its: _____

SOUTHTRUST BANK
an Alabama banking corporation

By: _____
Its: _____

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
Southern Division**

In re:

SHOOK & FLETCHER INSULATION CO.

Debtor-in-Possession.

**Case No. _____
Chapter 11**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 8th day of April, 2002, I caused a copy of the foregoing Motion for Authority to Use Cash Collateral and Obtain Secured Credit from SouthTrust Bank and proposed Interim Order to be served by first class mail upon the twenty largest unsecured creditors and upon the parties on the attached Service List in the manner indicated.



Shook & Fletcher Insulation Co.
List of 20 Largest Unsecured Creditors
As of 3/31/02

Airgas Safety
Attn: Ms. Julie O'Donell
128 Wharton Road
Bristol, PA 19007-1693

Ametek
Attn: Ms. Kathy Thomas
900 Greenbank Road
Wilmington, DE 19808

Armacell LLC
Attn: Ms. Michelle Montgomery
7600 Oakwood Street
McBane, NC 27302

Childers Products Company
Attn: Mr. John Boynton
1370 East 40th Street
Houston, TX 77022

F & S Equipment & Sales
Attn: Ms. Donice Key
3321 Second Avenue South
Birmingham, AL 35201

Foster Products Corporation
Attn: Mr. Greg Walters
2900 Grandmar Lane
Oakdale, MN 55128

Gen-Fab, Inc.
Attn: Ms. Jackie Brochuler
1825 Hanson Road
Charlotte, NC 28273

Johns Manville
Attn: Mr. Dave Skelly
717 17th Street
Denver, CO 80202

Knauf Fiber Glass GHBH
Attn: Mr. David Bauer
One Knauf Drive
Shelbyville, IN 46176

Lewco Specialty Products
Attn: Mr. Lewis Dill
6857 Renoir Avenue
Baton Rouge, LA 70806

McAllister Mills
Attn: Mr. James Patton
1730 Rainbow Circle
Independence, VA 24348

McGriff, Seibels & Williams, Inc.
Attn: Mr. Mike Whitten
2211 7th Avenue, South
Birmingham, AL 35233

Pabco Metals Corp
Attn: Ms. Toni Cox
919 No. Trenton
Rushton, LA 71270

Performance Insulation Fab.
Attn: Mr. Stanley Searcy
1600 County Hospital Road
Nashville, TN 37218

Rock Wool Mfg. Co.
Attn: Mr. Tom Jury
203 7th Street, NE
Leeds, AL 35094

RPR Products
Attn: Mr. Bob James
407 Delz
Houston, TX 77018

Thermal Ceramics
Attn: Mr. Larry Wiggins
2102 Old Savannah Road
Augusta, GA 30906

Tri-State Insulators
Attn: Mr. Roy Ingram
5530 Pipeline Road
Pensacola, FL 32505

Vesuvius U.S.A.
Attn: Jackie Rance
661 Willet Road
Buffalo, NY 14218

Volunteer Metal Systems, Inc.
Attn: Mr. Randy Hagler
290 Fortner Road
McEwen, TN 37101

Shook & Fletcher Insulation Co.
Attachment to Certificate of Service

Bankruptcy Administrator

J. Thomas Corbett, Esq.*
Office of the Bankruptcy Administrator
United States Bankruptcy Court
Robert South Vance Federal Building
1800 5th Avenue North
Birmingham, AL 35203

Futures Representative

R. Scott Williams, Esq.*
Haskell Slaughter Young & Rediker, L.L.C.
1200 AmSouth/Harbert Plaza
1901 Sixth Avenue North
Birmingham, AL 35203

Futures Representative's Counsel

Robert M. Fishman, Esq.
Shaw Gussis Fishman Glantz & Wolfson, LLC
1144 West Fulton Street, Suite 200
Chicago, IL 60607

Unofficial Committee of Asbestos Claimants

Bryan Blevins, Esq.
Provost & Umphrey Law Firm L.L.P.
490 Park Street
P.O. Box 4905
Beaumont, TX 77704

James L. Ferraro, Esq.
Kelly & Ferraro, LLP
1300 East Ninth Street, Suite 1901
Cleveland, OH 44114

David O. McCormick, Esq.
Cumbest, Cumbest, Hunter & McCormick, P.A.
P.O. Drawer 1287
708 Watts Avenue
Pascagoula, MS 39568-1287

Joseph F. Rice, Esq.
Ness Motley Loadholt Richardson & Poole, PC
28 Bridgeside Boulevard
Mount Pleasant, SC 29464

Jeffrey Varas, Esq.
Varas & Moran
119 Caldwell Drive
Hazlehurst, MS 39083

Counsel for SouthTrust Bank

David S. Maxey, Esq.*
Spain & Gillon LLC
The Zinszer Building
2117 2nd Avenue North
Birmingham, AL 35203

AmSouth Bank

John Ketting, Loan Officer*
AmSouth Bank of Alabama
Main Office Birmingham
1900 – 5th Avenue North
Birmingham, AL 35203

Counsel for Shook & Fletcher Supply Co.

Donald M. Wright*
Sirote & Permutt, P.C.
2311 Highland Avenue South
Birmingham, AL 35205

Counsel for Additional Parties-in-Interest

John P. Whittington, Esq.*
Lloyd C. Peeples, III, Esq.
Bradley Arant Rose & White LLP
2001 Park Place, Suite 1400
Birmingham, AL 35203-2736
Counsel for the Shareholders

William J. Bowman, Esq.
Hogan & Hartson
555 13th Street, N.W.
Washington, DC 20004-1109
Counsel for Hartford Insurance Co.

William R. Hanlon, Esq.
Franklin D. Kramer, Esq.
Shea & Gardner
1800 Massachusetts Avenue, NW
Washington, DC 20036
Counsel for CCR

Michael P. Richman, Esq.
Mayer, Brown, Rowe & Maw
1675 Broadway
New York, NY 10019-5820
Counsel for CCR

W. Clark Watson, Esq.*
Eric T. Ray, Esq.
Balch & Bingham LLP
1710 Sixth Avenue North
Birmingham, AL 35201-0306
Counsel for Travelers Casualty and Surety Company

* Parties designated with an asterisk were served by hand-delivery. All other parties were served by overnight mail.